Historical Trends

Income Statement Data	ALL DIY LUMBER OUTLETS FISCAL YEAR 1986	1985	1984	1983	1982
Net Sales Volume	$1,993,028	$2,069,693	$1,680,266	$1,243,862	$1,292,917
Gross Sales	102.41%	102.03%	101.87%	102.27%	101.66%
Less: Total Deductions	2.41	2.03	1.87	2.27	1.66
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	74.31	74.50	74.37	73.99	73.60
Margin Before Purchase Rebate or Patronage Dividend	25.69	25.50	25.63	26.01	26.40
Purchase Rebate or Patronage Dividend	.14	.14	.14	.16	.13
Margin After Purchase Rebate or Patronage Dividend	25.83	25.64	25.77	26.17	26.53
Payroll and Other Employee Expense					
Salaries — Owners/Officers/Managers	2.87	2.98	3.84	3.79	4.32
Salaries/Wages — Other Employees	9.57	9.08	8.23	8.89	9.37
Federal and State Payroll Taxes	1.08	.96	1.01	1.00	1.06
Group Insurance	.44	.46	.56	.59	.56
Benefit Plans	.68	.51	.47	.50	.54
Total Payroll and Other Employee Expense	14.65	13.99	14.11	14.77	15.85
Occupancy Expense					
Heat, Light, Power, Water	.48	.40	.45	.43	.57
Building Repairs and Maintenance	.22	.11	.34	.31	.23
Rent or Ownership in Real Estate**	1.58	1.83	1.89	2.01	2.24
Total Occupancy Expense	2.28	2.34	2.68	2.75	3.04
Other Costs of Doing Business					
Advertising and Promotion	1.09	.95	.79	1.01	1.13
Insurance (Other than Real Estate or Group)	.64	.60	.48	.49	.62
Taxes (Other than Real Estate and Payroll)	.34	.30	.29	.39	.38
Interest (Other than Real Estate)	.96	.90	1.13	1.11	1.58
Depreciation (Other than Real Estate)	.72	.70	.67	.71	.69
All Other Expenses	3.56	4.48	3.60	3.72	4.26
Total Other Costs of Doing Business	7.31	7.93	6.96	7.43	8.66
Total Operating Expenses	24.24	24.26	23.75	24.95	27.55
Operating Profit or Loss	1.60	1.38	2.02	1.22	-1.02
Other Income	1.71	1.81	1.58	1.92	2.21
Net Operating Profit or Loss (Before Income Taxes)	3.31	3.19	3.60	3.14	1.19
Financial Performance					
Profit on Investment	15.60%	14.78%	15.99%	13.81%	4.63%
Active Owner's Return	29.15%	28.57%	33.01%	30.51%	21.50%
Current Asset Ratio	2.96x	2.51x	2.62x	2.68x	2.79x
Quick Asset Ratio	1.42x	1.23x	1.27x	1.16x	1.31x
Total Debt to Tangible Net Worth	82.93%	80.57%	83.69%	99.75%	93.27%
Stock Turn Times	4.73x	5.05x	4.56x	3.99x	3.73x
Sales to Inventory Ratio	6.36x	6.77x	6.13x	5.39x	5.07x
Average Inventory per Sq. Ft. Sales Area	$56.57	$93.23	$83.66	$93.64	$100.20
Net Sales to Accounts Receivable	10.70x	9.39x	9.27x	9.84x	9.32x
Net Sales to Total Assets	2.58x	2.56x	2.41x	2.20x	2.02x
Net Sales to Net Worth	4.72x	4.62x	4.44x	4.40x	3.91x
Net Sales to Net Working Capital	3.41x	5.68x	5.03x	4.60x	4.17x
Other Operating Data					
Credit Sales — % of Total Gross Sales	71.16%	69.95%	76.14%	67.60%	65.96%
Consumer Sales — % of Total Gross Sales	40.61%	45.49%	54.36%	55.68%	58.86%
Selling Area — Square Feet	5,341	4,273	4,208	3,989	4,209
Sales Per Square Foot — Selling Area	$347.23	$448.70	$409.61	$311.82	$307.18
Total Area — Square Feet	20,243	16,321	17,598	18,550	16,788
Sales Per Square Foot — Total Area	$87.28	$138.17	$85.39	$67.05	$77.01
Sales Per Person Employed	$144,238	$131,436	$138,073	$110,591	$97,559
Sales Per Customer	$59.22	$87.52	$67.78	$71.45	$64.16

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Historical Trends

Department	Percent Of Net Sales**					Sales Per Square Foot				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	5.4%	7.8%	9.6%	9.6%	9.8%	$129.61	$136.03	$138.64	$162.07	$123.38
Hand Tools	1.7	2.4	2.0	2.3	1.9	126.80	126.86	143.07	134.79	95.68
Power Tools & Accessories	1.4	1.5	1.7	1.8	1.3	139.12	157.69	144.61	125.14	105.09
Plumbing, Heating & Cooling	2.4	3.8	5.0	4.7	4.6	131.30	156.64	198.75	222.30	138.67
Electrical Supplies	1.6	2.4	3.4	3.0	2.8	138.15	149.06	177.62	176.09	69.08
Paint & Home Decorating	5.6	6.2	5.9	6.3	7.9	136.64	172.86	174.12	168.93	134.53
Lumber	39.7	34.5	32.6	32.5	27.2	1,237.46	986.83	769.[illegible]	796.75	NA
Building Materials	38.3	31.4	33.3	32.7	39.7	833.91	719.64	606.85	405.29	454.44
Lawn & Garden	1.0	1.6	1.3	1.5	1.3	172.61	130.32	175.27	173.68	121.01
Housewares	.3	.4	.6	.4	.3	94.52	95.61	92.33	156.68	102.39
Automotive Supplies	.1	.1	.1	.1	.1	98.65	98.13	133.28	112.92	167.22
Major Appliances & Home Entertainment	.1	.5	1.0	.7	.6	81.24	116.51	65.30	112.87	266.53
Sporting Goods & Outdoor Living	.1	.8	.2	.3	.1	NA	NA	97.67	162.96	67.97
Miscellaneous Goods	2.3	6.6	3.3	4.1	2.4	207.68	161.27	173.25	434.53	223.92

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1986	1985	1984	1983	1982	1986	1985	1984	1983	1982
Hardware	4.3x	3.8x	3.4x	3.4x	3.6x	$1.66	$1.43	$1.13	$1.12	$1.14
Hand Tools	4.2	4.1	4.0	3.6	3.2	1.48	1.44	1.22	1.12	1.01
Power Tools & Accessories	3.7	4.1	3.8	4.0	3.5	1.19	1.28	.94	1.13	1.04
Plumbing, Heating & Cooling	3.5	3.9	4.1	3.6	3.8	1.24	1.32	1.24	.99	1.20
Electrical Supplies	4.0	3.7	5.2	3.3	3.5	1.49	1.32	1.72	1.10	1.07
Paint & Home Decorating	4.4	4.2	4.5	3.8	4.0	1.52	1.45	1.34	1.21	1.33
Lumber	8.8	7.3	6.5	6.5	6.2	2.05	1.73	1.56	1.65	1.66
Building Materials	8.2	7.5	7.1	6.1	5.7	2.21	1.98	1.98	1.66	1.56
Lawn & Garden	5.0	4.9	5.0	3.8	3.7	1.58	1.64	1.33	1.14	1.07
Housewares	2.0	3.7	2.3	2.3	3.7	.56	1.21	.52	.54	1.00
Automotive Supplies	5.1	3.0	2.3	2.1	3.8	1.37	.87	.68	.71	1.17
Major Appliances & Home Entertainment	3.0	4.7	2.6	4.1	3.8	.39	.96	.69	1.04	.98
Sporting Goods & Outdoor Living	2.9	NA	2.6	3.9	4.5	.91	—	.73	.83	.85
Miscellaneous Goods	8.8	6.3	8.0	4.4	4.7	2.78	1.76	2.16	1.25	1.42

**Average DIY Lumber Outlet

Monthly Sales

Month	1986	1985	1984	1983	1982
January	5.7	6.2	6.1	5.7	6.1
February	5.1	5.6	5.8	5.3	5.6
March	6.3	7.0	6.7	6.6	6.9
April	8.3	8.8	8.2	8.0	8.3
May	9.5	9.8	9.9	9.4	9.6
June	9.3	9.4	10.1	10.1	9.4
July	10.1	9.3	9.2	9.4	9.2
August	10.0	9.2	9.1	9.3	9.0
September	10.1	8.5	8.5	8.9	8.9
October	10.3	9.0	8.8	9.1	9.2
November	8.2	8.4	8.5	8.6	8.5
December	7.1	8.8	9.1	9.6	9.3

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building materials retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory — Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

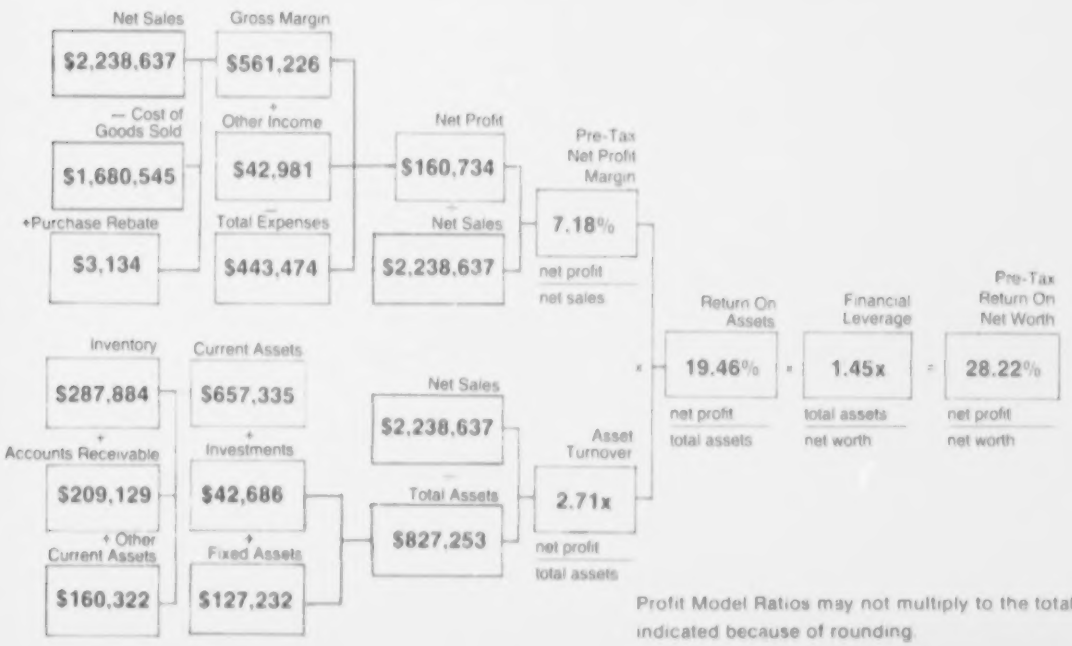
Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than average ratio indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Outlets



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Highlights

Type of DIY Lumber Outlet	1986 Net Sales ($)	Sales Increase Over 1985* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All DIY Lumber Outlets	1,993,028	+10.51	25.83	3.31	15.60	4.73
Low Profit	1,366,215	+ 1.97	26.56	- .85	- 4.33	3.66
High Profit	2,238,637	+16.69	25.06	7.18	28.14	5.90
Sales Volume Size						
Under $500,000	370,394	- .60	29.63	2.19	4.77	2.70
$500,000 to $999,999	806,072	+ 5.38	27.15	2.43	9.54	3.01
$1,000,000 to $1,999,999	1,555,063	+ 8.00	27.27	3.21	12.17	3.60
$2,000,000 or more	3,866,704	+12.66	24.83	3.50	20.40	6.24
Sales Floor Size						
Under 3,000 Sq. Ft.	1,115,577	+ 1.79	26.78	3.03	10.14	4.43
3,000 to 4,999 Sq. Ft.	1,862,723	+13.50	23.52	3.80	17.81	5.58
5,000 Sq. Ft. or more	2,300,507	+10.14	26.52	3.39	16.75	4.56
Trade Area Size						
M.S.A. - Central City	2,468,196	+ 8.98	26.38	3.43	16.19	4.94
M.S.A. - Suburban	2,747,571	- 6.64	30.71	.57	1.97	4.65
Cities - 10,000 to 50,000	2,387,325	+15.21	24.97	4.05	18.48	5.69
Towns Under 10,000	1,527,692	+10.50	25.37	3.23	15.72	4.23
Outlet Location: Part I						
Downtown	1,267,632	+ 8.78	26.81	3.20	12.48	4.21
Suburban	2,547,106	+11.94	25.46	3.41	18.55	5.87
Rural	1,825,004	+ 8.14	26.18	3.26	13.40	3.63
Outlet Location: Part II						
Shopping Centers	2,196,110	+ 6.49	23.45	3.68	23.54	5.26
Free-Standing — No Stores Adjacent	2,161,510	+ 9.42	26.43	3.64	16.21	4.58
Free-Standing — Stores Nearby	1,777,861	+11.43	25.45	2.96	14.49	4.94
Outlet Orientation:						
Consumer-Oriented	2,671,572	+11.51	25.34	3.72	18.91	6.20
Contractor-Orientated	1,413,506	+ 8.26	26.64	3.03	12.17	3.47

*As reported by The Profit Report contributors.

Monthly Sales

	%		%		%
January	5.7	May	9.5	September	10.1
February	5.1	June	9.3	October	10.3
March	6.3	July	10.1	November	8.2
April	8.3	August	10.0	December	7.1

All Outlets

Income Statement Data	All DIY Lumber Outlets	Low† Profit Outlets	High†† Profit Outlets
Number of Outlets	323	70	75
Net Sales Volume	$1,993,028	$1,366,215	$2,238,637
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+10.51%	+ 1.97%	+16.69%
Gross Sales	102.41%	101.94%	102.44%
Less: Total Deductions	2.41	1.94	2.44
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.31	73.66	75.07
Margin Before Purchase Rebate or Patronage Dividend	25.69	26.34	24.93
Purchase Rebate or Patronage Dividend	.14	.22	.14
Margin After Purchase Rebate or Patronage Dividend	25.83	26.56	25.06
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.87	3.00	2.42
Salaries/Wages — Other Employees	9.57	11.77	7.74
Federal and State Payroll Taxes	1.08	1.17	.74
Group Insurance	.44	.64	.42
Benefit Plans	.68	.49	.66
Total Payroll and Other Employee Expense	14.65	17.07	11.98
Occupancy Expense			
Heat, Light, Power, Water	.48	.59	.34
Building Repairs and Maintenance	.22	.34	.25
Rent or Ownership in Real Estate**	1.58	2.13	1.34
Total Occupancy Expense	2.28	3.06	1.94
Other Costs of Doing Business			
Office Supplies and Postage	.43	.49	.36
Advertising and Promotion	1.09	1.45	.71
Donations	.05	.04	.05
Telephone and Telegraph	.26	.39	.17
Bad Debts	.48	.57	.35
Credit Card Expense (Bank Charges)	.05	.07	.08
Delivery (Other than Wages)	.80	.97	.67
Leasing Expenses (Non-Occupancy)	.07	.24	.02
Insurance (Other than Real Estate and Group)	.64	.90	.70
Taxes (Other than Real Estate and Payroll)	.34	.54	.40
Interest (Other than Real Estate)	.96	1.54	.40
Depreciation (Other than Real Estate)	.72	.73	.73
Store and Shop Supplies	.13	.22	.16
Legal and Accounting	.29	.44	.21
Computer Services and Expenses (Other than Wages)	.13	.15	.07
Dues and Subscriptions	.06	.10	.05
Travel, Buying, Entertainment	.25	.24	.08
Miscellaneous Services (Laundry, Disposal, Etc.)	.03	.07	.02
Unclassified Expenses	.53	.59	.66
Total Other Costs of Doing Business	7.31	9.74	5.88
Total Operating Expenses	24.24	29.87	19.81
Operating Profit or Loss	1.60	-3.31	5.26
Other Income	1.71	2.46	1.92
Net Operating Profit or Loss (Before Income Taxes)	3.31	- .85	7.18

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

All Outlets

Balance Sheet Data	All DIY Lumber Outlets	Low Profit Outlets†	High Profit Outlets††
Total Dollar Assets	$772,531	$609,810	$827,253
		% of Total Assets	
Assets			
Cash On Hand and In Bank	6.60	4.35	12.57
Notes and Installment Contracts Receivable	1.85	1.11	3.97
Accounts Receivable	24.12	22.59	25.28
Merchandise Inventory (End of Year)	40.52	45.38	34.80
Other Current Assets	4.65	1.65	2.84
Total Current Assets	77.75	75.07	79.46
Stocks and Bonds	1.29	2.24	1.68
Real Estate (Not Used In Business)	.76	.29	1.28
Other Investments	4.08	3.69	2.20
Total Investments	6.14	6.22	5.16
Land (Owned and Used In Business)	2.16	3.46	2.08
Buildings (Owned and Used In Business Less Depreciation)	6.15	6.75	5.58
Leasehold Improvements (Less Amortization Allowance)	1.15	1.63	.92
Furniture, Fixtures, Equipment (Owned and Used in Business Less Depreciation)	3.44	4.29	3.30
Delivery Equipment (Owned and Used in Business Less Depreciation)	2.63	1.91	2.87
Other Fixed Assets	.57	.66	.63
Total Fixed Assets	16.11	18.71	15.38
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.44	13.16	11.45
Current Portion of Notes Payable	6.41	10.83	4.58
Accrued Payroll Taxes	.53	.30	.41
Accrued Other Taxes	1.82	.87	1.73
Other Accrued Expenses	2.85	1.51	3.07
Other Current Liabilities	2.20	3.71	1.75
Total Current Liabilities	26.26	30.38	22.99
Notes Due Partners/Officers	3.01	6.53	2.03
Mortgage Payable	1.70	4.30	1.75
Long Term Debt	12.64	13.60	3.47
Other Long Term Liabilities	1.73	1.19	.74
Total Long Term Liabilities	19.08	25.62	7.98
Total Liabilities	45.34	56.00	30.98
Net Worth	54.66	44.00	69.02
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	15.60%	- 4.33%	28.14%
Active Owner's Return	29.15%	10.97%	37.65%
Current Asset Ratio	2.96x	2.47x	3.46x
Quick Asset Ratio	1.42x	.98x	1.94x
Total Debt to Tangible Net Worth	82.93%	127.26%	44.88%
Stock Turn Times	4.73x	3.66x	5.90x
Sales to Inventory Ratio	6.36x	4.97x	7.86x
Average Inventory per Sq. Ft. Sales Area	$56.57	$53.86	$53.29
Net Sales to Accounts Receivable	10.70x	9.92x	10.71x
Net Sales to Total Assets	2.58x	2.24x	2.71x
Net Sales to Net Worth	4.72x	5.09x	3.92x
Net Sales to Net Working Capital	3.41x	3.14x	3.48x
Other Operating Data			
Credit Sales — % of Total Gross Sales	71.16%	68.29%	73.74%
Consumer Sales — % of Total Gross Sales	40.61%	43.94%	34.69%
Selling Area — Square Feet	5,341	4,217	5,172
Sales Per Square Foot — Selling Area	$347.23	$258.57	$423.62
Total Area — Square Feet	20,243	18,566	20,502
Sales Per Square Foot — Total Area	$87.28	$53.61	$103.73
Sales Per Person Employed	$144,238	$120,231	$174,669
Sales Per Customer	$59.22	$38.28	$58.05

†Defined as the bottom twenty-five percent of all contributors based on Net Profit.

††Defined as the top twenty-five percent of all contributors based on Net Profit.

Figures may not add to totals indicated because of rounding.

Sales Volume Size

Income Statement Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	41	58	123	101
Net Sales Volume	$370,394	$806,072	$1,555,063	$3,866,704
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	- .60%	+5.38%	+8.00%	+12.66%
Gross Sales	101.07%	102.79%	101.87%	102.68%
Less: Total Deductions	1.07	2.79	1.87	2.68
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	70.62	73.06	72.87	75.30
Margin Before Purchase Rebate or Patronage Dividend	29.38	26.94	27.13	24.70
Purchase Rebate or Patronage Dividend	.25	.21	.14	.13
Margin After Purchase Rebate or Patronage Dividend	29.63	27.15	27.27	24.83
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	5.69	2.95	3.29	2.55
Salaries/Wages — Other Employees	8.28	10.46	9.97	9.32
Federal and State Payroll Taxes	1.21	1.21	1.24	.98
Group Insurance	.92	.56	.31	.48
Benefit Plans	.43	.36	.76	.69
Total Payroll and Other Employee Expense	16.52	15.54	15.56	14.02
Occupancy Expense				
Heat, Light, Power, Water	1.03	.65	.70	.34
Building Repairs and Maintenance	.31	.16	.19	.23
Rent or Ownership in Real Estate**	3.41	2.24	1.64	1.40
Total Occupancy Expense	4.75	3.06	2.54	1.97
Other Costs of Doing Business				
Office Supplies and Postage	.48	.53	.49	.39
Advertising and Promotion	1.60	1.13	1.50	.86
Donations	.08	.05	.06	.05
Telephone and Telegraph	.37	.39	.24	.25
Bad Debts	.53	.29	.54	.47
Credit Card Expense (Bank Charges)	.02	.04	.03	.06
Delivery (Other Than Wages)	.65	.89	.73	.82
Leasing Expenses (Non-Occupancy)	.01	.15	.06	.07
Insurance (Other Than Real Estate and Group)	.91	1.00	.59	.62
Taxes (Other Than Real Estate and Payroll)	.38	.47	.29	.35
Interest (Other Than Mortgages)	.64	1.18	1.23	.81
Depreciation (Other than Real Estate)	.75	.88	.79	.66
Store and Shop Supplies	.48	.17	.17	.10
Legal and Accounting	.35	.63	.27	.25
Computer Services and Expenses (Other Than Wages)	.00	.14	.11	.14
Dues and Subscriptions	.15	.10	.05	.06
Travel, Buying, Entertainment	.18	.13	.32	.23
Miscellaneous Services (Laundry, Disposal, etc.)	.01	.03	.03	.03
Unclassified Expenses	.65	.56	.41	.58
Total Other Costs of Doing Business	8.24	8.74	7.91	6.80
Total Operating Expenses	29.52	27.34	26.01	22.79
Operating Profit or Loss	.11	- .19	1.26	2.04
Other Income	2.08	2.63	1.95	1.46
Net Operating Profit or Loss (Before Income Taxes)	2.19	2.43	3.21	3.50

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Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$231,313	$391,525	$697,434	$1,302,484
		% of Total Assets		
Assets				
Cash On Hand and In Bank	10.38	6.96	6.12	6.59
Notes and Installment Contracts Receivable	.12	1.10	1.26	2.50
Accounts Receivable	9.78	19.00	20.84	28.17
Merchandise Inventory (End of Year)	41.65	50.17	44.01	36.50
Other Current Assets	.46	2.98	8.94	2.45
Total Current Assets	62.39	80.23	81.16	76.20
Stocks and Bonds	2.58	1.80	1.48	.99
Real Estate (Not Used in Business)	.70	.59	.63	.89
Other Investments	1.61	2.57	2.13	5.80
Total Investments	4.89	4.95	4.24	7.68
Land (Owned and Used in Bus.)	5.51	1.73	2.83	1.56
Buildings (Owned and Used in Bus. Less Depre.)	21.17	4.39	6.35	5.24
Leasehold Improvements (Less Amortization Allowance)	.63	.96	.78	1.45
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.77	4.21	2.37	4.06
Delivery Equipment (Owned and Used in Bus. Less Depre.)	1.93	2.12	1.83	3.30
Other Fixed Assets	.71	1.41	.43	.51
Total Fixed Assets	32.72	14.82	14.60	16.12
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	7.19	10.99	8.68	15.52
Current Portion of Notes Payable	4.68	7.40	3.75	8.10
Accrued Payroll Taxes	.15	.36	.81	.41
Accrued Other Taxes	.91	.68	1.32	2.41
Other Accrued Expenses	.07	1.41	2.31	3.65
Other Current Liabilities	2.50	1.41	1.44	2.82
Total Current Liabilities	15.49	22.25	18.31	32.90
Notes Due Partners/Officers	.52	6.28	3.11	2.55
Mortgage Payable	4.59	5.14	.80	1.49
Long Term Debt	5.11	12.99	17.31	10.07
Other Long Term Liabilities	.58	.87	1.61	2.05
Total Long Term Liabilities	10.80	25.28	22.83	16.16
Total Liabilities	26.29	47.53	41.14	49.07
Net Worth	73.71	52.47	58.86	50.93
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	4.77%	9.54%	12.17%	20.40%
Active Owner's Return	17.12%	21.11%	24.63%	35.25%
Current Asset Ratio	4.03x	3.61x	4.43x	2.32x
Quick Asset Ratio	1.34x	1.35x	2.03x	1.21x
Total Debt to Tangible Net Worth	35.67%	90.59%	69.89%	96.33%
Stock Turn Times	2.70x	3.01x	3.60x	6.24x
Sales to Inventory Ratio	3.83x	4.11x	4.94x	8.29x
Average Inventory per Sq. Ft. Sales Area	$28.99	$36.25	$52.72	$81.95
Net Sales to Accounts Receivable	16.37x	10.83x	10.70x	10.54x
Net Sales to Total Assets	1.60x	2.06x	2.23x	2.97x
Net Sales to Net Worth	2.17x	3.92x	3.79x	5.83x
Net Sales to Net Working Capital	2.67x	2.61x	2.80x	4.05x
Other Operating Data				
Credit Sales — % of Total Gross Sales	73.13%	67.80%	66.80%	74.41%
Consumer Sales — % of Total Gross Sales	70.33%	54.67%	51.66%	32.41%
Selling Area — Square Feet	3,012	4,946	6,160	5,516
Sales Per Square Foot — Selling Area	$122.99	$155.53	$240.04	$641.43
Total Area — Square Feet	13,060	21,050	19,281	23,867
Sales Per Square Foot — Total Area	$25.37	$34.61	$73.47	$141.29
Sales Per Person Employed	$94,535	$107,522	$138,433	$159,940
Sales Per Customer	$33.61	$45.74	$62.66	$62.91

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Number of Outlets	59	59	184
Net Sales Volume	$1,115,577	$1,862,723	$2,300,507
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+1.79%	+13.50%	+10.14%
Gross Sales	102.57%	103.25%	102.22%
Less: Total Deductions	2.57	3.25	2.22
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.36	76.64	73.59
Margin Before Purchase Rebate or Patronage Dividend	26.64	23.36	26.41
Purchase Rebate or Patronage Dividend	.14	.16	.11
Margin After Purchase Rebate Or Patronage Dividend	26.78	23.52	26.52
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.82	2.78	2.76
Salaries — Other Employees	9.37	8.28	10.03
Federal and State Payroll Taxes	1.10	.88	1.14
Group Insurance	.81	.50	.36
Benefit Plans	.52	.57	.75
Total Payroll and Other Employee Expense	15.62	13.01	15.04
Occupancy Expense			
Heat, Light, Power, Water	.38	.34	.55
Building Repairs and Maintenance	.28	.17	.21
Rent or Ownership in Real Estate**	1.96	1.22	1.63
Total Occupancy Expense	2.63	1.73	2.39
Other Costs of Doing Business			
Office Supplies and Postage	.46	.40	.45
Advertising and Promotion	.79	.76	1.23
Donations	.04	.05	.06
Telephone and Telegraph	.31	.21	.26
Bad Debts	.54	.33	.47
Credit Card Expense (Bank Charges)	.04	.03	.05
Delivery (Other Than Wages)	.81	.83	.78
Leasing Expenses (Non-Occupancy)	.13	.06	.04
Insurance (Other Than Real Estate and Group)	.68	.71	.62
Taxes (Other Than Real Estate and Payroll)	.46	.23	.34
Interest (Other Than Real Estate)	.69	.70	1.04
Depreciation (Other Than Real Estate)	.84	.79	.69
Store and Shop Supplies	.21	.09	.12
Legal and Accounting	.58	.24	.25
Computer Services and Expenses (Other Than Wages)	.12	.11	.14
Dues and Subscriptions	.09	.08	.05
Travel, Buying, Entertainment	.20	.13	.29
Miscellaneous Services (Laundry, Disposal, etc.)	.02	.03	.03
Unclassified Expenses	.37	.71	.53
Total Other Costs of Doing Business	7.38	6.48	7.44
Total Operating Expenses	25.62	21.22	24.87
Operating Profit or Loss	1.15	2.30	1.65
Other Income	1.88	1.50	1.74
Net Operating Profit or Loss (Before Income Taxes)	3.03	3.80	3.39

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Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$501,126	$677,653	$885,992
		% of Total Assets	
Assets			
Cash On Hand and In Bank	9.31	7.63	5.99
Notes and Installment Contracts Receivable	.69	.88	2.38
Accounts Receivable	19.77	30.47	23.16
Merchandise Inventory (End of Year)	37.52	38.28	41.27
Other Current Assets	3.05	3.36	5.61
Total Current Assets	70.33	80.62	78.41
Stocks and Bonds	.70	1.29	1.32
Real Estate (Not Used in Bus.)	.29	2.09	.60
Other Investments	12.85	1.72	2.94
Total Investments	13.85	5.11	4.86
Land (Owned and Used in Bus.)	1.89	1.80	2.26
Buildings (Owned and Used in Bus. Less Depre.)	8.49	4.59	6.16
Leasehold Improvements (Less Depre.)	.22	.68	1.55
Furniture, Fixtures, Equipment (Owned and Used in Bus. Less Depre.)	2.53	3.05	3.55
Delivery Equipment (Owned and Used in Bus. Less Depre.)	2.13	2.84	2.75
Other Fixed Assets	.55	1.30	.46
Total Fixed Assets	15.82	14.27	16.73
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	10.97	14.64	11.87
Current Portion of Notes Payable	3.42	7.20	6.39
Accrued Payroll Taxes	.17	.38	.64
Accrued Other Taxes	1.28	.82	2.24
Other Accrued Expenses	.70	2.27	3.56
Other Current Liabilities	1.97	1.79	2.33
Total Current Liabilities	18.51	27.09	27.03
Notes Due Partners/Officers	2.91	4.00	2.68
Mortgage Payable	1.28	1.35	1.50
Long Term Debt	10.24	8.07	14.04
Other Long Term Liabilities	.52	.90	2.16
Total Long Term Liabilities	14.94	14.32	20.38
Total Liabilities	33.45	41.41	47.41
Net Worth	66.55	58.59	52.59
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	10.14%	17.81%	16.75%
Active Owner's Return	22.92%	30.86%	30.40%
Current Asset Ratio	3.80x	2.98x	2.90x
Quick Asset Ratio	1.77x	1.56x	1.37x
Total Debt to Tangible Net Worth	50.27%	70.68%	90.14%
Stock Turn Times	4.43x	5.58x	4.56x
Sales to Inventory Ratio	6.03x	7.28x	6.20x
Average Inventory per Sq. Ft. Sales Area	$119.92	$68.88	$49.79
Net Sales to Accounts Receivable	11.26x	9.02x	11.21x
Net Sales to Total Assets	2.23x	2.75x	2.60x
Net Sales to Net Worth	3.35x	4.69x	4.94x
Net Sales to Net Working Capital	3.26x	3.49x	5.05x
Other Operating Data			
Credit Sales — % of Total Gross Sales	77.78%	81.72%	67.15%
Consumer Sales — % of Total Gross Sales	36.21%	31.14%	45.49%
Selling Area — Square Feet	2,014	3,714	7,538
Sales Per Square Foot — Selling Area	$553.85	$501.53	$310.46
Total Area — Square Feet	14,300	23,244	23,138
Sales Per Square Foot — Total Area	$68.43	$69.33	$95.55
Sales Per Person Employed	$141,791	$174,116	$137,246
Sales Per Customer	$54.84	$48.58	$64.57

Outlet Location I

Income Statement Data	Downtown	Suburban	Rural
Number of Outlets	76	135	96
Net Sales Volume	$1,267,632	$2,547,106	$1,825,004
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+8.78%	+11.94%	+8.14%
Gross Sales	102.84%	102.49%	102.06%
Less: Total Deductions	2.84	2.49	2.06
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.36	74.69	73.90
Margin Before Purchase Rebate or Patronage Dividend	26.64	25.31	26.10
Purchase Rebate or Patronage Dividend	.17	.15	.08
Margin After Purchase Rebate or Patronage Dividend	26.81	25.46	26.18
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.69	2.79	2.66
Salaries/Wages — Other Employees	9.74	9.51	9.77
Federal and State Payroll Taxes	.98	1.04	1.26
Group Insurance	.53	.51	.27
Benefit Plans	.57	.72	.71
Total Payroll and Other Employee Expense	15.51	14.57	14.68
Occupancy Expense			
Heat, Light, Power, Water	.56	.39	.65
Building Repairs and Maintenance	.25	.23	.19
Rent or Ownership in Real Estate**	1.72	1.71	1.25
Total Occupancy Expense	2.52	2.32	2.09
Other Costs of Doing Business			
Advertising and Promotion	1.09	.92	1.42
Insurance (Other Than Real Estate or Group)	.87	.60	.58
Taxes (Other Than Real Estate or Payroll)	.69	.32	.16
Interest (Other Than Real Estate)	.78	.81	1.28
Depreciation (Other Than Real Estate)	.83	.64	.78
All Other Expenses	3.67	3.50	3.47
Total Other Costs of Doing Business	7.96	6.78	7.69
Total Operating Expenses	26.00	23.68	24.46
Operating Profit or Loss	.81	1.78	1.72
Other Income	2.39	1.63	1.54
Net Operating Profit or Loss (Before Income Taxes)	3.20	3.41	3.26
Financial Performance			
Profit on Investment	12.48%	18.55%	13.40%
Active Owner's Return	26.86%	33.72%	24.36%
Current Asset Ratio	3.26x	2.48x	3.98x
Quick Asset Ratio	1.46x	1.29x	1.74x
Total Debt to Tangible Net Worth	63.13%	90.46%	79.76%
Stock Turn Times	4.21x	5.87x	3.63x
Sales to Inventory Ratio	5.74x	7.86x	4.91x
Average Inventory per Sq. Ft. Sales Area	$47.45	$58.12	$64.38
Net Sales to Accounts Receivable	11.15x	10.75x	10.47x
Net Sales to Total Assets	2.39x	2.85x	2.29x
Net Sales to Net Worth	3.90x	5.43x	4.11x
Net Sales to Net Working Capital	3.26x	3.86x	2.88x
Other Operating Data			
Credit Sales — % of Total Gross Sales	71.63%	74.46%	66.97%
Consumer Sales — % of Total Gross Sales	39.90%	34.28%	54.22%
Selling Area — Square Feet	4,534	5,291	6,616
Sales Per Square Foot — Selling Area	$259.59	$460.06	$269.46
Total Area — Square Feet	23,065	20,931	19,319
Sales Per Square Foot — Total Area	$54.83	$108.91	$83.29
Sales Per Person Employed	$134,826	$161,690	$126,646
Sales Per Customer	$38.49	$59.11	$74.36

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Outlet Location II

Income Statement Data	Shopping Centers	Free-Standing No Stores Adjacent	Free-Standing Stores Nearby
Number of Outlets	9	164	131
Net Sales Volume	$2,196,110	$2,161,510	$1,777,861
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+ 6.49%	+ 9.42%	+11.43%
Gross Sales	101.87%	102.94%	101.63%
Less: Total Deductions	1.87	2.94	1.63
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	76.59	73.70	74.66
Margin Before Purchase Rebate or Patronage Dividend	23.41	26.30	25.34
Purchase Rebate or Patronage Dividend	.04	.13	.10
Margin After Purchase Rebate or Patronage Dividend	23.45	26.43	25.45
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	3.46	3.15	2.49
Salaries/Wages — Other Employees	7.84	9.55	9.94
Federal and State Payroll Taxes	.90	1.11	1.05
Group Insurance	.34	.42	.47
Benefit Plans	.89	.70	.67
Total Payroll and Other Employee Expense	13.43	14.93	14.63
Occupancy Expense			
Heat, Light, Power, Water	.32	.51	.47
Building Repairs and Maintenance	.16	.19	.25
Rent or Ownership in Real Estate**	1.38	1.41	1.90
Total Occupancy Expense	1.86	2.11	2.63
Other Costs of Doing Business			
Advertising and Promotion	.65	1.17	.98
Insurance (Other Than Real Estate and Group)	.64	.59	.74
Taxes (Other Than Real Estate and Payroll)	.06	.35	.32
Interest (Other Than Real Estate)	1.14	1.00	.86
Depreciation (Other Than Real Estate)	.76	.76	.65
All Other Expenses	2.87	3.57	3.44
Total Other Costs of Doing Business	6.11	7.43	6.99
Total Operating Expenses	21.40	24.47	24.25
Operating Profit or Loss	2.05	1.97	1.20
Other Income	1.63	1.67	1.77
Net Operating Profit or Loss (Before Income Taxes)	3.68	3.64	2.96
Financial Performance			
Profit on Investment	23.54%	16.21%	14.49%
Active Owner's Return	45.66%	30.24%	26.65%
Current Asset Ratio	1.83x	3.26x	2.80x
Quick Asset Ratio	.89x	1.59x	1.33x
Total Debt to Tangible Net Worth	129.42%	76.96%	84.09%
Stock Turn Times	5.26x	4.58x	4.94x
Sales to Inventory Ratio	6.86x	6.22x	6.62x
Average Inventory per Sq. Ft. Sales Area	$55.50	$59.66	$53.09
Net Sales to Accounts Receivable	8.42x	10.17x	12.07x
Net Sales to Total Assets	2.79x	2.52x	2.66x
Net Sales to Net Worth	6.40x	4.46x	4.89x
Net Sales to Net Working Capital	3.49x	3.30x	3.59x
Other Operating Data			
Credit Sales — % Total Gross Sales	58.08%	71.61%	68.97%
Consumer Sales — % of Total Gross Sales	27.95%	42.10%	39.33%
Selling Area — Square Feet	4,944	6,094	4,948
Sales Per Square Foot — Selling Area	$364.60	$347.45	$339.79
Total Area — Square Feet	16,112	20,428	21,905
Sales Per Square Foot — Total Area	$136.31	$92.85	$78.25
Sales Per Person Employed	$119,435	$145,587	$146,565
Sales Per Customer	$79.15	$63.59	$53.84

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Trade Area Size

Income Statement Data	M.S.A. Central City	M.S.A. Surburban	Cities 10,000 - 50,000	Towns Under 10,000
Number of Outlets	81	11	50	165
Net Sales Volume	$2,468,196	$2,747,571	$2,387,325	$1,527,692
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+ 8.98%	-6.64%	+15.21%	+10.50%
Gross Sales	102.18%	100.61%	104.28%	101.98%
Less: Total Deductions	2.18	.61	4.28	1.98
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	73.63	69.38	75.40	74.75
Margin Before Purchase Rebate or Patronage Dividend	26.37	30.62	24.60	25.25
Purchase Rebate or Patronage Dividend	.01	.09	.37	.12
Margin After Purchase Rebate or Patronage Dividend	26.38	30.71	24.97	25.37
Payroll and Other Employee Expense				
Salaries — Owners/Officers/Managers	3.12	2.84	2.75	2.98
Salaries/Wages — Other Employees	9.83	14.58	9.00	8.92
Federal and State Payroll Taxes	1.13	.93	.86	1.13
Group Insurance	.20	.87	.51	.59
Benefit Plans	1.03	.37	.66	.47
Total Payroll and Other Employee Expense	15.31	19.59	13.77	14.08
Occupancy Expense				
Heat, Light, Power, Water	.59	.43	.41	.47
Building Repairs and Maintenance	.15	.23	.21	.24
Rent or Ownership in Real Estate**	1.45	2.07	1.60	1.64
Total Occupancy Expense	2.20	2.73	2.21	2.35
Other Costs of Doing Business				
Advertising and Promotion	1.28	.89	.88	1.06
Insurance (Other Than Real Estate or Group)	.56	.83	.64	.67
Taxes (Other Than Real Estate or Payroll)	.21	.66	.46	.35
Interest (Other Than Real Estate)	.79	1.39	.84	1.08
Depreciation (Other Than Real Estate)	.68	.89	.68	.75
All Other Expenses	3.26	4.42	3.42	3.75
Total Other Costs of Doing Business	6.78	9.06	6.93	7.65
Total Operating Expenses	24.29	31.38	22.91	24.08
Operating Profit or Loss	2.09	- .67	2.06	1.29
Other Income	1.34	1.24	1.99	1.94
Net Operating Profit or Loss (Before Income Taxes)	3.43	.57	4.05	3.23
Financial Performance				
Profit on Investment	16.19%	1.97%	18.48%	15.72%
Active Owner's Return	30.93%	11.79%	31.02%	30.20%
Current Asset Ratio	3.73x	2.91x	2.72x	2.76x
Quick Asset Ratio	1.92x	1.42x	1.46x	1.19x
Total Debt to Tangible Net Worth	68.35%	63.73%	73.78%	98.23%
Stock Turn Times	4.94x	4.65x	5.69x	4.23x
Sales to Inventory Ratio	6.71x	6.70x	7.55x	5.66x
Average Inventory per Sq. Ft. Sales Area	$68.37	$78.19	$52.79	$53.09
Net Sales to Accounts Receivable	11.83x	12.28x	8.80x	10.94x
Net Sales to Total Assets	2.80x	2.11x	2.63x	2.46x
Net Sales to Net Worth	4.72x	3.46x	4.57x	4.87x
Net Sales to Net Working Capital	3.42x	3.87x	3.46x	3.31x
Other Operating Data				
Credit Sales — % of Total Gross Sales	68.90%	76.25%	75.45%	70.91%
Consumer Sales — % of Total Gross Sales	41.55%	26.46%	29.81%	46.67%
Selling Area — Square Feet	7,335	5,490	4,829	4,609
Sales Per Square Foot — Selling Area	$328.15	$500.44	$422.72	$317.83
Total Area — Square Feet	19,132	27,738	24,596	19,871
Sales Per Square Foot — Total Area	$124.64	$99.06	$82.46	$67.97
Sales Per Person Employed	$156,654	$143,920	$164,674	$138,260
Sales Per Customer	$72.23	$35.58	$46.51	$57.52

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**Figures may not add to totals indic[illegible] because of rounding

Number of Outlets

Income Statement Data	Single Store Outlet	2-10 Stores	11 Stores Or More
Number of Outlets	187	63	73
Net Sales Volume	$2,006,909	$2,271,448	$1,717,192
Current Year's Sales vs. Previous Year (1986 vs 1985)*	+10.28%	+12.05%	+9.38%
Gross Sales	102.17%	104.09%	101.20%
Less: Total Deductions	2.17	4.09	1.20
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	74.39	74.89	73.38
Margin Before Purchase Rebate or Patronage Dividend	25.61	25.11	26.62
Purchase Rebate or Patronage Dividend	.18	.16	.00
Margin After Purchase Rebate or Patronage Dividend	25.79	25.26	26.62
Payroll and Other Employee Expense			
Salaries — Owners/Officers/Managers	2.85	3.18	2.58
Salaries/Wages — Other Employees	9.44	9.48	10.09
Federal and State Payroll Taxes	1.03	.96	1.39
Group Insurance	.51	.40	.30
Benefit Plans	.69	.60	.72
Total Payroll and Other Employee Expense	14.51	14.62	15.08
Occupancy Expense			
Heat, Light, Power, Water	.40	.39	.84
Building Repairs and Maintenance	.26	.19	.11
Rent or Ownership in Real Estate**	1.60	1.57	1.53
Total Occupancy Expense	2.27	2.14	2.49
Other Costs of Doing Business			
Advertising and Promotion	.94	.94	1.70
Insurance (Other Than Real Estate or Group)	.77	.65	.24
Taxes (Other Than Real Estate or Payroll)	.39	.51	.00
Interest (Other Than Real Estate)	.95	.85	1.10
Depreciation (Other Than Real Estate)	.80	.59	.62
All Other Expenses	3.53	3.60	3.56
Total Other Costs of Doing Business	7.39	7.14	7.23
Total Operating Expenses	24.17	23.90	24.81
Operating Profit or Loss	1.62	1.36	1.81
Other Income	1.86	1.63	1.35
Net Operating Profit or Loss (Before Income Taxes)	3.47	2.99	3.17
Financial Performance			
Profit on Investment	15.80%	17.33%	13.59%
Active Owner's Return	28.76%	35.75%	24.67%
Current Asset Ratio	2.78x	2.38x	4.74x
Quick Asset Ratio	1.38x	1.08x	2.15x
Total Debt to Tangible Net Worth	82.14%	90.65x	78.64%
Stock Turn Times	4.93x	5.51x	3.67x
Sales to Inventory Ratio	6.62x	7.36x	5.00x
Average Inventory Per Sq. Ft. Sales Area	$55.68	$67.24	$50.24
Net Sales to Accounts Receivable	9.56x	14.05x	11.69x
Net Sales to Total Assets	2.50x	3.04x	2.40x
Net Sales to Net Worth	4.55x	5.79x	4.29x
Net Sales to Net Working Capital	3.38x	4.07x	2.96x
Other Operating Data			
Credit Sales — % of Total Gross Sales	74.22%	70.97%	66.87%
Consumer Sales — % of Total Gross Sales	35.08%	36.92%	59.75%
Selling Area — Square Feet	4,931	4,294	7,294
Sales per Square Foot — Selling Area	$370.63	$487.55	$235.43
Total Area — Square Feet	20,716	20,312	18,973
Sales per Square Foot — Total Area	$84.57	$91.97	$90.51
Sales per Person Employed	$148,251	$132,857	$142,773
Sales per Customer	$54.62	$59.92	$64.95

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Outlet Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Outlets	139	157
Net Sales Volume	$2,671,572	$1,413,506
Current Year's Sales vs. Previous Year (1986 vs. 1985)*	+11.51%	+8.26%
Gross Sales	102.93%	101.63%
Less: Total Deductions	2.93	1.63
Net Sales	100.00%	100.00%
Cost of Goods Sold	74.82	73.43
Margin Before Purchase Rebate or Patronage Dividend	25.18	26.57
Purchase Rebate or Patronage Dividend	.16	.07
Margin After Purchase Rebate or Patronage Dividend	25.34	26.64
Payroll and Other Employee Expense		
Salaries — Owners/Officers/Managers	2.87	3.14
Salaries/Wages — Other Employees	9.44	9.51
Federal and State Payroll Taxes	.91	1.30
Group Insurance	.46	.40
Benefit Plans	.74	.59
Total Payroll and Other Employee Expense	14.41	14.94
Occupancy Expense		
Heat, Light, Power, Water	.35	.74
Building Repairs and Maintenance	.21	.19
Rent or Ownership in Real Estate**	1.52	1.65
Total Occupancy Expense	2.08	2.58
Other Costs of Doing Business		
Advertising and Promotion	.77	1.62
Insurance (Other Than Real Estate or Group)	.69	.54
Taxes (Other Than Real Estate or Payroll)	.44	.17
Interest (Other Than Real Estate)	.74	1.21
Depreciation (Other Than Real Estate)	.72	.69
All Other Expenses	3.37	3.66
Total Other Costs of Doing Business	6.75	7.89
Total Operating Expenses	23.23	25.41
Operating Profit or Loss	2.11	1.23
Other Income	1.61	1.80
Net Operating Profit or Loss (Before Income Taxes)	3.72	3.03
Financial Performance		
Profit on Investment	18.91%	12.17%
Active Owner's Return	33.51%	24.79%
Current Asset Ratio	2.52x	3.94x
Quick Asset Ratio	1.36x	1.64x
Total Debt to Tangible Net Worth	78.73%	79.15%
Stock Turn Times	6.20x	3.47x
Sales to Inventory Ratio	8.29x	4.72x
Average Inventory Per Sq. Ft. Sales Area	$65.11	$45.08
Net Sales to Accounts Receivable	10.10x	11.68x
Net Sales to Total Assets	2.85x	2.24x
Net Sales to Net Worth	5.09x	4.02x
Net Sales to Net Working Capital	3.86x	2.88x
Other Operating Data		
Credit Sales — % of Total Gross Sales	75.18%	65.96%
Consumer Sales — % of Total Gross Sales	27.59%	62.66%
Selling Area — Square Feet	4,936	6,236
Sales per Square Foot — Selling Area	$517.57	$225.50
Total Area — Square Feet	25,623	18,569
Sales per Square Foot — Total Area	$97.30	$74.94
Sales per Person Employed	$165,533	$129,420
Sales per Customer	$58.60	$59.61

*As reported to us by The Profit Report contributors.

**Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated because of rounding.

Departmental Sales

The Departmental Sales section of The Profit Report offers a variety of information for fourteen departments carried in DIY lumber outlets.

Departmental Contribution
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of sales area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Profit Report shows 90% of the reporting outlets have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of the outlets who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Profit Report also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Outlet Profile** for a lumber/building materials outlet carrying only these departments.

As an example, a lumber/building materials outlet carries only four departments — Hardware, Hand Tools, Paint and Home Decorating and Lumber/Building Materials.

Assume The Profit Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Lumber/Building Materials	65.0%

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{110.0}$	= 13.6%
Hand Tools	$\frac{10.0}{110.0}$	= 9.1%
Paint & Home Decorating	$\frac{20.0}{110.0}$	= 18.2%
Lumber/Building Materials	$\frac{65.0}{110.0}$	= 59.1%

The resulting percentages' total should equal 100.0% and are the **Average Outlet Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Lumber/Building Materials. This same procedure can be followed to determine the Average Outlet Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for lumber/building materials outlet operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.58 which means $1.58 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give lumber/building materials outlet operators ways to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual outlet operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Outlet Profile % of Net Sales	% of Sales Floor*	% of Inventory
Hardware	100.0	5.4	16.1	7.2	129.61	5.4	16.1	7.2
Hand Tools	95.3	2.3	6.5	3.6	126.80	1.7	6.2	3.2
Power Tools & Accessories	93.8	1.9	2.7	2.8	139.12	1.4	2.6	2.5
Plumbing, Heating & Cooling	85.8	3.3	11.5	6.8	131.30	2.4	10.5	5.9
Electrical Supplies	89.1	2.3	7.4	3.0	135.15	1.6	7.0	2.5
Paint & Home Decorating	93.4	7.4	14.1	9.2	136.64	5.6	13.5	8.5
Lumber	100.0	39.7	14.2	29.0	1,237.46	39.7	14.2	29.0
Building Materials	100.0	38.3	17.2	37.1	833.91	38.3	17.2	37.1
Lawn & Garden	68.7	1.9	5.2	3.0	172.61	1.0	4.1	2.1
Housewares	18.5	1.5	2.8	2.4	94.52	.3	.9	.4
Automotive Supplies	20.4	1.1	1.4	.5	98.65	.1	.5	.1
Major Appliances & Home Entertainment	10.0	2.0	4.0	2.1	81.24	.1	.9	.3
Sporting Goods & Outdoor Living	9.5	.9	1.9	1.2	NA	.1	.4	.2
Miscellaneous Goods	53.1	7.0	9.2	4.4	207.68	2.3	5.9	1.0
						100.0	100.0	100.0

*Includes inside sales area only.

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	38.1	4.3	1.66
Hand Tools	35.2	4.2	1.48
Power Tools & Accessories	31.8	3.7	1.19
Plumbing, Heating & Cooling	35.6	3.5	1.24
Electrical Supplies	36.9	4.0	1.49
Paint & Home Decorating	34.5	4.4	1.52
Lumber	23.5	8.8	2.06
Building Materials	26.8	8.2	2.21
Lawn & Garden	31.4	5.0	1.58
Housewares	27.4	2.0	.56
Automotive Supplies	27.1	5.1	1.37
Major Appliances & Home Entertainment	13.0	3.0	.39
Sporting Goods & Outdoor Living	31.0	2.9	.91
Miscellaneous Goods	31.4	8.8	2.78

APPENDIX

Definition of Terms

Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend — The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend — Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages — Other Employees — The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) — All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operation to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Depreciation — All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services — Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system in-house.

Dues and Subscriptions — Fees for memberships and subscriptions, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services — All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

Investments — Assets with a long-term life such as stocks and bonds or real estate which is not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
—Computed by dividing Net Sales by Average Inventory; expressed in "times".
—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
—Computed by dividing Net Sales by Total Assets; expressed in "times".
—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area
—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
—Measures sales productivity.

Sales Per Sq. Ft. — Total Area
—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory — (GMROI)
—Computed by taking gross margin percentage times sales to inventory ratio.
—Considers both margin and turnover.
—Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested in inventory.

Increase Profits With SALES TRAINING

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